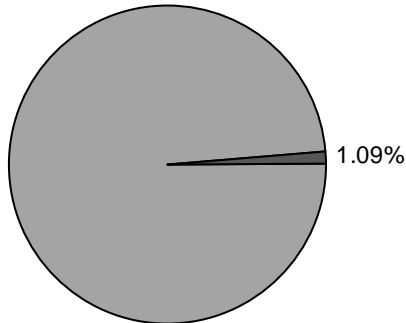


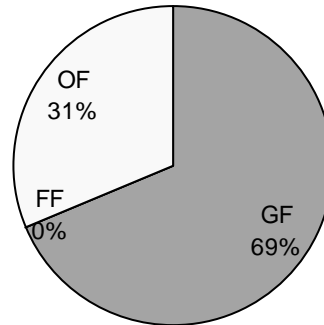
FY2006 Budget Briefing

Bureau of Finance and Management

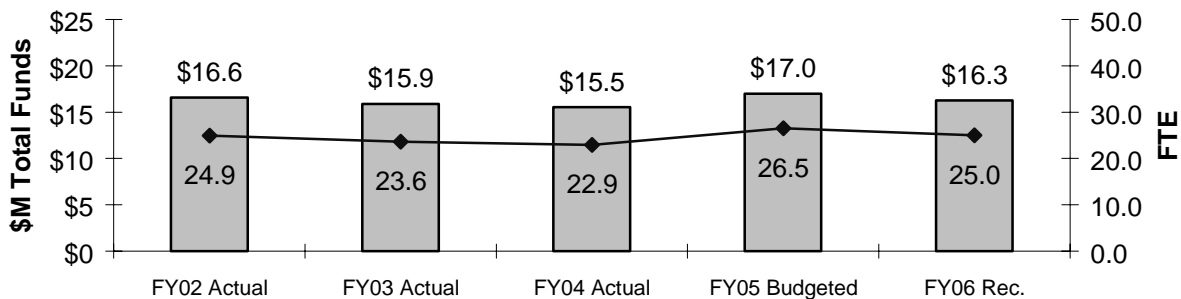
**Agency's Share of Total Recommended
General Fund Budget FY2006**



**Agency's Funding Source Split FY2006
Recommended Budget**



Budget History



Key Responsibilities

- To promote efficient and effective management of the state of South Dakota;
- To advise the Governor on the overall fiscal policy;
- To complete and present the annual fiscal plan; and
- To manage the central accounting and payroll systems.

Key Personnel

- Commissioner Jason Dilges
- Finance Officer, Jim Neiles

Department Total

The Bureau of Finance and Management's budget is funded with general funds and with user fees from state agencies. For FY2006, the Governor recommends a decrease of \$633,197 in general funds from the FY2005 budget.

Item	Actual FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	1,349,480	1,566,344	1,526,796	1,526,796	(39,548)	(2.5%)
Travel	19,533	28,051	28,051	28,051	-	0.0%
Contractual Services	13,989,723	15,276,234	14,601,956	14,601,956	(674,278)	(4.4%)
Supplies and Materials	112,758	113,795	113,795	113,795	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	67,984	10,000	10,000	10,000	-	0.0%
Other	2	-	-	-	-	0.0%
TOTAL	15,539,480	16,994,424	16,280,598	16,280,598	(713,826)	(4.2%)
Funding Sources:						
General Funds	12,399,116	11,825,938	11,192,741	11,192,741	(633,197)	(5.4%)
Federal Funds	-	-	-	-	-	0.0%
Other Funds	3,140,364	5,168,486	5,087,857	5,087,857	(80,629)	(1.6%)
TOTAL	15,539,480	16,994,424	16,280,598	16,280,598	(713,826)	(4.2%)
FTE	22.9	26.5	25.0	25.0	(1.5)	(5.7%)

Major Expansion and Reduction as Recommended by the Governor

Budget Item	Agency Request			Governor's Recommendation		
	State General Fund	All Funds	FTE	State General Fund	All Funds	FTE
A. Sale Leaseback	(619,278)	(619,278)	0.0	(619,278)	(619,278)	0.0
B. Reduction in FTE	(13,919)	(39,548)	(1.5)	(13,919)	(39,548)	(1.5)
C. Computer Efficiencies	-	(55,000)	0.0	-	(55,000)	0.0
Total	(633,197)	(713,826)	(1.5)	(633,197)	(713,826)	(1.5)

- A. General funds are provided for the payment of the sale/leaseback. Original closing date was December 18, 1986, and the final payment date will be December 1, 2016. The funds budgeted are receipted and paid out the same day. There is no impact to the State General Fund. The activity was refinanced in 1996 to take advantage of a more favorable interest rate. The final payment remains December 1, 2016.

The reduction is based on the payment schedule provided by the South Dakota Building Authority and was requested by the agency and recommended by the Governor.

- B. Reducing FTE level by 1.5. Vacant part-time secretary position and vacant accounting assistant position.
- C. Efficiencies in the accounting system and payroll systems are realizing savings.

Division of Finance and Management

The mission of the Division of Finance and Management is to manage and coordinate the statutory functions of the Bureau of Finance and Management as they relate to serving as a liaison with the public and other governmental agencies of executive branch fiscal policy; to advise the Governor on overall fiscal policy and management procedures; to complete and present the Governor's annual fiscal plan for the state; to ensure that the directives of the Governor and Legislature are fulfilled; to improve the efficiency and effectiveness of state government programs, processes, and procedures; to control and provide accurate uniform accounting and payroll/personnel information to state offices on a timely basis, meeting all deadlines as prescribed by laws; to act as a service bureau to all users of the central accounting and central payroll operations and provide educational assistance to all state offices on accounting and payroll matters; to apply an efficient and accountable method of revenue and expenditure controls by which the state can record its financial transactions in a systematic way and extract historical data in an orderly fashion; and to keep the accounting and payroll systems aware of the ever-increasing demands for new and more complete information, yet remain responsive to the every day needs of user agencies.

The agency requests a reduction of \$13,919 in general funds and a reduction of \$80,629 in other funds for a total reduction of \$94,548. The Governor recommends the same.

Item	Actual FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	1,349,479	1,566,344	1,526,796	1,526,796	(39,548)	(2.5%)
Travel	19,533	28,051	28,051	28,051	-	0.0%
Contractual Services	2,366,091	2,532,945	2,477,945	2,477,945	(55,000)	(2.2%)
Supplies and Materials	112,758	113,795	113,795	113,795	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	67,984	10,000	10,000	10,000	-	0.0%
Other	2	-	-	-	-	0.0%
TOTAL	3,915,847	4,251,135	4,156,587	4,156,587	(94,548)	(2.2%)
Funding Sources:						
General Funds	775,483	800,013	786,094	786,094	(13,919)	(1.7%)
Federal Funds	-	-	-	-	-	0.0%
Other Funds	3,140,364	3,451,122	3,370,493	3,370,493	(80,629)	(2.3%)
TOTAL	3,915,847	4,251,135	4,156,587	4,156,587	(94,548)	(2.2%)
FTE	22.9	26.5	25.0	25.0	(1.5)	(5.7%)

Revenues

Other Fund Revenue Source

	<u>Actual FY2003</u>	<u>Actual FY2004</u>	<u>FY2005 Estm.</u>	<u>FY2006 Estm.</u>	<u>% Change FY2003</u>
Deposited to the State General Fund Budget	\$91	\$138	\$140	\$140	53.8%
Total	\$91	\$138	\$140	\$140	53.8%

Selected Performance Indicators

	ACTUAL	ACTUAL	ESTIMATED	ESTIMATED
	FY 2003	FY 2004	FY 2005	FY 2006
Billing Vouchers Processed	18,963	19,279	20,000	22,000
Expense Vouchers Processed > \$500	8,516	8,260	9,000	10,000
Receipts Processed (CRT's)	156	181	220	250
Accrual Financial Statements	21	21	21	21
Journal Vouchers Submitted	381	414	450	450
Complete Governor's Budget Document	Annual	Annual	Annual	Annual
Finalize State Operating Budget	Annual	Annual	Annual	Annual
Rule and Regulation Fiscal Notes	78	92	100	100
Transfer Requests	61	72	70	70
Contract Carryover Requests	31	28	30	30
Interim Appropriation Meetings	1	2	2	2

- The Deputy Commissioner position has been vacant for approximately three years.

Sale/Leaseback – BFM

The mission of this program is to make payments on the lease entered into between the former Board of Charities and Corrections and the South Dakota Building Authority dated December 1, 1986.

Item	Actual FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	11,623,633	11,025,925	10,406,647	10,406,647	(619,278)	(5.6%)
Supplies and Materials	-	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	11,623,633	11,025,925	10,406,647	10,406,647	(619,278)	(5.6%)
Funding Sources:						
General Funds	11,623,633	11,025,925	10,406,647	10,406,647	(619,278)	(5.6%)
Federal Funds	-	-	-	-	-	0.0%
Other Funds	-	-	-	-	-	0.0%
TOTAL	11,623,633	11,025,925	10,406,647	10,406,647	(619,278)	(5.6%)

Revenues

	<u>Actual FY2002</u>	<u>Actual FY2003</u>	<u>FY2004 Estm.</u>	<u>FY2005 Estm.</u>
Total	\$ -	\$ -	\$ -	\$ -

- In the 1980's the Legislature sold most state owned buildings and leased them back for state use. This was a revenue generating initiative for the state to use the investment income on the money received from the sale of the buildings. Part of the investment income was to be used to pay for the leases, and the other portion would be realized as net earnings. Last year, Commissioner Dilges reported that the net earnings had been \$18 million.
- Sale/Leaseback History
 - The state sold its office buildings valued at approximately \$200,000,000 to the South Dakota Building Authority.
 - To pay for the buildings, the South Dakota Building Authority sold bonds. Bond payments by SDBA to the bondholders would be made out of payments by the state for the use of the same buildings.
 - The state then took the \$200,000,000 and purchased an annuity contract for \$183,500,000 on the lives of a pool of retired state employees in the SDRS. The revenue stream to the state from the annuity contract would be used to make payments to the SDBA. Of the remaining \$16.5 million, \$14.5 million was used to fund one-time capital projects, and \$2 million was held in reserve to protect against the pool of retired employees dying faster than actuarial projections.

- At the end of the 30-year contract (2016), the state will resume ownership of the buildings from the South Dakota Building Authority.
- Authority provides for the payment of the original sale/leaseback (Foss, Anderson, State Library, Commerce Building, Becker-Hansen, and Soldiers' and Sailors' War Memorial buildings). The original closing date was December 18, 1986, and the final payment will be December 1, 2016. The funds budgeted are receipted and paid out the same day. There is no impact to the State General Fund. Payments associated with this sale/leaseback are funds 0112 and 0122. The activity was refinanced in 1996 to take advantage of a more favorable interest rate. The final payment remains December 1, 2016.

The reduction is based on the payment schedule provided by the South Dakota Building Authority.

This is only a portion of the sales-leaseback initiative; the remaining portion is reported through the Bureau of Administration's budget.

Computer Services and Development

The mission of this division is to provide funding for the development and maintenance of computer systems in various state agencies.

Item	Actual Transferred FY2004	Approved FY2005	Agency Req. FY2006	Gov. Rec. FY2006	Change from FY2005	% Change from FY2005
Personal Services	-	-	-	-	-	0.0%
Travel	-	-	-	-	-	0.0%
Contractual Services	-	1,717,364	1,717,364	1,717,364	-	0.0%
Supplies and Materials	-	-	-	-	-	0.0%
Grants and Subsidies	-	-	-	-	-	0.0%
Capital Outlay	-	-	-	-	-	0.0%
Other	-	-	-	-	-	0.0%
TOTAL	-	1,717,364	1,717,364	1,717,364	-	0.0%
Funding Sources:						
General Funds	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
Other Funds	-	1,717,364	1,717,364	1,717,364	-	0.0%
TOTAL	-	1,717,364	1,717,364	1,717,364	-	0.0%
FTE	-	-	-	-	-	-

- This pool of authority was created to provide agencies with “emergency” expenditure authority in cases where the Bureau of Information and Technology (BIT) had time and resources to do special projects for the agency. This discourages *all* of the agencies from requesting additional authority anticipating BIT had time available to do their projects.
- In FY2003, the transfer of authority was to BIT, and not to an agency.
- The fund previously received \$500,000 from the general fund. That amount was reduced to \$400,000 in the FY2002 budget and then eliminated entirely in the FY2003 budget.
- No transfers were made in FY2004. The entire amount reverted.

History of Transfers from the Computer Services Pool in BFM

<u>Fiscal Year</u>		<u>Budgeted</u>	<u>Transferred</u>	<u>Remainder</u>
FY1998 - General Funds	\$	500,000	\$ 500,000	\$ -
FY1998 - Other Fund Authority	\$	1,717,364	\$ 1,700,000	\$ 17,364
FY1999 - General Funds		500,000	500,000	-
FY1999 - Other Fund Authority	\$	1,717,364	\$ 1,023,000	\$ 694,364
FY2000 - General Funds		500,000	500,000	-
FY2000 - Other Fund Authority	\$	1,717,364	\$ 780,000	\$ 937,364
FY2001 - General Funds		500,000	500,000	-
FY2001 - Other Fund Authority	\$	1,717,364	\$ 1,572,724	\$ 144,640
FY2002 - General Funds		400,000	400,000	-
FY2002 - Other Fund Authority	\$	1,717,364	\$ 785,445	\$ 931,919
FY2003 - Other Fund Authority	\$	1,717,364	\$ 1,717,364	-
FY2004 - Other Fund Authority	\$	1,717,364	\$ -	\$ 1,717,364

Other Departmental Issues

A. Interim Appropriation Actions

	Approved FY2005 Budget	Interim Action	Revised Budget
No Interim Action			
Total			
Funding Sources:			
General Funds	\$ 11,825,938		\$ 11,825,938
Federal Funds	\$ -		\$ -
Other Funds	\$ 5,168,486		\$ 5,168,486
Total	\$ 16,994,424	\$ -	\$ 16,994,424
F.T.E.	26.5		26.5

B. Audit Findings

None

C. FY2004 Reversions

	General	BOA Other	Central Acct. Other	Total
BFM				
Personal Services	\$ 906	\$ 42,591	\$ 17,793	\$ 61,290
Operating Expenditures	\$ 241	\$ 11,008	\$ 206,673	\$ 217,922
Total	\$ 1,147	\$ 53,599	\$ 224,466	\$ 279,212
Reverted % of Total Fund Budget	0.1%	11.7%	7.6%	6.7%
Computer Services and Development				
Contractual Services			\$ 1,717,364	\$ 1,717,364
Reverted % of Total				100.0%

D. Agency Specific Questions

1. What is your definition of a mandatory FTE? For FYs 2005 and 2006, identify the number of mandatory FTEs. What is the personal service cost associated with those positions? For each mandatory FTE, identify the requirement that mandates the position. If you have additional mandatory FTEs recommended for your budget, what will be the consequences for not granting an appropriation for those positions?